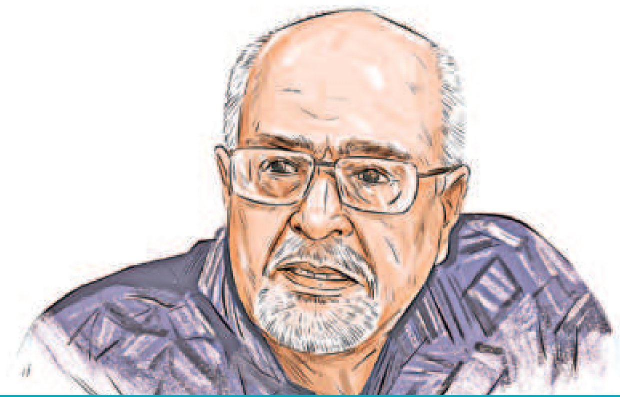

Debapriya Bhattacharya

Budget being built on INFLATED DATA

Debapriya Bhattacharya tells The Daily Star

AHSAN HABIB

The interim government is preparing the national budget for fiscal year (FY) 2025-26 using inflated growth figures published by the previous government to create a misleading narrative of development, said economist Debapriya Bhattacharya.

"In the White Paper on the State of the Bangladesh Economy, we have clearly shown how the base of the Awami League government's data was the main villain behind its narrative of development—because it presented an exaggerated, undivided picture of development," said Bhattacharya, a macroeconomist and public policy analyst.

Bhattacharya led the team that prepared the white paper after the interim government took office.

He said the Chief Adviser of the interim government, Muhammad Yunus, drew on the white paper's findings and recommendations in his address to the nation on December 16 last year.

"One major issue the Chief Adviser emphasised was the exaggeration in official data and how it misled the public, policymakers, and foreign stakeholders," said Bhattacharya, a distinguished fellow at the local think tank Centre for Policy Dialogue (CPD).

"Unfortunately, it has now been nearly nine months since this government assumed office, yet no meaningful or reform-oriented steps have been taken to correct the problem," added the economist.

A recently formed government committee on data has a limited mandate, he said, as the committee's main focus is on assessing data quality, without identifying the deeper methodological flaws caused by political interference.

Moreover, the committee's report is expected to be submitted after the budget. "This means the upcoming budget is still being built on the same flawed economic data," Bhattacharya commented.

In that sense, the economist said the directives given by the Chief Adviser in his speech were not followed when reassessing the budget data.

Calling the budgetary context "unprecedented," he said the current administration came to power through a student-led mass uprising. "Yet, it is proceeding with only minor revisions to the previous government's budget." "No new budget has been drawn up. Nor has there been a new Annual Development Programme [ADP]," he said.

"There is no certainty this government will be in a position to implement the next budget in full," said the CPD distinguished fellow. "So, they are partially executing the previous government's budget and preparing the next one for a future government. In that sense, this is historically unique."

One of the core responsibilities of the interim government, he said, was to identify the economy's structural weaknesses—something the white paper sought to highlight.

"But even more urgent was the task of stabilising the economy, particularly by tackling inflation, the depreciation of the taka, and spiralling interest rates. The government may have had partial success in this regard."

According to him, reform—especially in the banking and energy sectors—was another key duty. While a few initiatives have been taken, Bhattacharya said further steps are needed in the coming fiscal year for macro stability.

"What is crucial now is to strengthen the stabilisation programme so macroeconomic stability can be sustained. And this stability must translate into growth," he added.

The current problem, however, is that private sector investment remains stagnant. Although opening letters of credit (LCs) is easier than before, imports—especially of capital goods—are on the decline, according to the economist.

"Investors say there is a liquidity crunch in banks. Yet, they are not borrowing much. Energy supply issues persist, and labour wage problems remain unresolved," Bhattacharya said.

He added that raising investment, generating employment, and increasing exports and remittances are pressing concerns. "Social protection must also be strengthened. The number of poor people has risen, and the lives of the middle and lower-middle classes have not improved."

Commenting on the size of the national budget, Bhattacharya said he has never thought that the budget is growing in size—because the size of the budget should not be evaluated in monetary terms; it should be considered as a share of gross domestic product (GDP).

In that context, he said, the budget has shrunk in recent years. "That is why I have called it a kind of fiscal illusion. The figure might seem large in absolute terms, but as a share of the economy, it remains low."

Expenditure has never crossed 14-15 percent of GDP, and this year it will likely fall even further. "Since the GDP is overstated, the government cannot increase the budget's share of the economy. In this way, they will be caught in their own trap."

On implementation, Bhattacharya said the government measures success by the disbursement of funds, not by outcomes. "Implementation through bureaucrats or project directors is outdated and inefficient. It neither ensures effective use of funds nor delivers political credit."

Empowering local governments and holding them accountable through democratic means would yield better results, he suggested. "I hope to see signs of this change in the budget."

Bhattacharya also talked about the government's limited political footing.

"This is not an elected government. It is a legitimate government that emerged from a public uprising and holds a certain mandate, but that mandate is also limited in many ways."

Even more troubling, he said, is the absence of a political party backing the administration. "It has no political base to guide it or hold it accountable. That is why we expected the budget to be prepared through wide consultations."

"It is unfortunate that there has been little effort to create accountability or ensure transparency."

"An even bigger regret is that this government will not implement the entire budget. So, they should have engaged with potential future political representatives. But whether they have done so, I cannot say," commented the economist.

He said that while several discussions have taken place with political parties regarding reforms, there has been no consultation on the national budget. "That seems very strange to me."

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TAKEAWAYS FROM INTERVIEW

DATA AND BUDGET FORMULATION

- Budget is being prepared based on inflated and politically manipulated data
- Chief adviser's directives on correcting data flaws have not been reflected
- Budget size gives an illusion of growth—it remains low as a share of GDP

INVESTMENT, SOCIAL PROTECTION

- Despite partial success in stabilisation, private investment remains weak
- Social protection needs strengthening as poverty and middle-class struggles persist

GOVERNANCE AND PROCESS

- Budget preparation lacks inclusivity and consultation with future political stakeholders
- ADP implementation still measured by fund disbursement, not outcomes or public benefit

REFORM AND STRUCTURAL ISSUES

- Political economy has long favoured garments sector—diversification still missing in incentives
- Key issues like productivity, market diversification, and institutional reforms await serious budgetary focus

AI's role in Bangladesh's economic growth

MAMUN RASHID

Bangladesh is at a traction point in its technology transformation journey, having started later than many global counterparts. As leading companies in the country begin implementing enterprise resource planning (ERP) systems, business applications, cloud, enterprise data platforms, and business intelligence, there is a growing recognition of the need to accelerate the adoption of artificial intelligence (AI). The telecommunications sector stands out as one of the early adopters of AI technology in Bangladesh, setting a precedent for other industries. Embracing AI can drive significant advancements in operational efficiency, customer experience, and business optimisation. By integrating AI into existing systems, Bangladeshi businesses can leapfrog into a new era of innovation, ensuring they remain competitive in an increasingly digital world.

AI technology offers transformative benefits across various business domains. It enables the creation of personalised user experiences, tailoring interactions to individual preferences and needs, thereby enhancing customer satisfaction and loyalty. As AI models mature, they deliver improved quality and consistency, with increased prediction accuracy and reduced errors, fostering trust and reliability in automated systems. Furthermore, AI optimises business operations by minimising time spent on repetitive tasks, allowing employees to focus on impactful activities, thus boosting overall efficiency and reducing operational costs. Additionally, AI facilitates agile development in new and high-impact business areas, driving innovation and generating substantial business value.

The "Firm to Factory" model in Bangladesh underscores the application of AI technologies to enhance agricultural and manufacturing processes, ensuring a smooth transition from crop cultivation to product creation. AI plays a pivotal role in precision farming by leveraging data analytics to boost crop yields and optimise resource management. This results in more efficient production cycles, driving productivity and economic growth. By integrating AI, Bangladesh can streamline operations, improve product quality, and bolster competitiveness in both local and global markets. This approach not only increases efficiency and sustainability but also supports adherence to environmental regulations, offering significant competitive advantages and aligning with international sustainability standards.

AI is revolutionising the textile industry globally, and Bangladesh, as a major player in textile manufacturing, stands to benefit significantly from these advancements. AI algorithms for demand prediction can be particularly beneficial for Bangladeshi manufacturers in optimising inventory management and reducing waste. Customised production through 3D image processing and AR (augmented reality)/VR (virtual reality) offers Bangladeshi firms the opportunity to create personalised garment designs tailored to individual preferences, enhancing competitiveness in the global market. AI also enhances manufacturing precision and adaptability, optimising production efficiency. The trend towards small-batch, fast-to-market production can help Bangladeshi manufacturers respond swiftly to consumer trends, streamlining operations and elevating customer satisfaction through on-demand customisation and increased product availability. Integrating AI into the textile sector can position Bangladesh as a leader in innovative and efficient textile production.

In Bangladesh, AI adoption in pharma can address inefficiencies in manual quality control and reconciliation processes, reducing human errors and enhancing compliance with regulatory standards. It can assist in predictive maintenance and regulatory compliance, maintaining high standards in drug production. Personalised patient engagement is another area where AI can provide value, offering tailored treatment plans based on individual health data. By integrating AI technologies, the Bangladeshi pharma market can enhance medication safety, optimise drug formulations, and accelerate drug discovery, positioning itself as a competitive player in the global pharmaceutical landscape.

Bangladesh should prioritise integrating AI technologies across key industries. Both the private and public sectors need to collaborate to drive innovation, align with international standards, and secure a leading position in the global market. The private sector can lead in technology adoption and innovation, while the public sector can support through policy frameworks and infrastructure development to facilitate AI integration.

The writer is the chairman at Financial Excellence Ltd. This piece is an excerpt of his opening remarks made at a conference on artificial intelligence (AI) held at Brac University and organised by Brand Forum.

India's economic growth hits four-year low of 6.5%

AFP, *Mumbai*

India's economy grew by 6.5 percent in the fiscal year that ended in March, official data showed on Friday, among the world's top performers but still sluggish compared with its recent track record.

Gross domestic product rose at its slowest pace in four years, with growth coming in well below the 9.2 percent recorded in the previous financial year.

The world's most populous nation grappled with a weaker manufacturing sector, tight monetary policy and muted urban consumer sentiment for most of the past year.

While the economy has rebounded over the past two quarters, helped in part by strong agricultural output, US President Donald Trump's tariff blitz poses risks to a sustained recovery.

New Delhi, which was slapped with 26 percent so-called reciprocal tariffs, is currently negotiating a trade deal with Washington that it hopes will spare it the worst of Trump's trade push.

"Although India is expected to see its GDP grow 6.5 percent again in fiscal year 2025-26, there remains a great deal of uncertainty due to Trump's tariff policies," said Sam Jochim, an economist at EFG Asset Management.

"The ability of the Modi government to strike a deal with Trump could prove paramount for India's economic outlook."

Analysts believe the annual growth figures, along with cooling inflation data, will convince India's central bank to continue its interest rate easing cycle at its review meeting next week.

Trump says he will double steel, aluminum tariffs to 50%

AFP, *West Mifflin*

US President Donald Trump said Friday that he would double steel and aluminum import tariffs to 50 percent from next week, the latest salvo in his trade wars aimed at protecting domestic industries.

"We're going to bring it from 25 percent to 50 percent, the tariffs on steel into the United States of America," he said while addressing workers at a US Steel plant in Pennsylvania.

"Nobody's going to get around that," he added in the speech before blue-collar workers in the battleground state that helped deliver his election victory last year.

Shortly after, Trump wrote in a Truth Social post that the elevated rate would also apply to aluminum, with the new tariffs "effective Wednesday, June 4th."

Since returning to the presidency in January, Trump has imposed sweeping tariffs on allies and adversaries alike in moves that have rocked the world trade order and roiled financial markets.

The tariffs had seen a brief legal setback earlier this week when a court ruled Trump had overstepped his authority, but an appellate court on Thursday said the tariffs could continue while the litigation moves forward.

Trump has also issued sector-specific levies that affect goods such as automobiles.

On Friday, he defended his trade policies, arguing that tariffs helped protect US industry.

He added that the steel facility he was speaking in would not exist if he had not also imposed duties on metals imports during his first administration.

On Friday, Trump touted a planned partnership between US Steel and Japan's Nippon Steel, but offered few new details on a deal that earlier faced bipartisan opposition.

US President Donald Trump applauds as he arrives to speak during a visit to US Steel - Irvin Works in West Mifflin, Pennsylvania, on May 30, to mark the deal between Nippon Steel and US Steel.

PHOTO: AFP

He stressed that despite a recently announced planned partnership between the American steelmaker and Nippon Steel, "US Steel will continue to be controlled by the USA."

He added that there would be no layoffs or outsourcing of jobs by the company.

Upon returning to Washington late Friday, Trump told reporters he had yet to approve the deal.

"I have to approve the final deal with Nippon, and we haven't seen that final deal yet, but they've made a very big commitment," Trump said.

Last week, Trump said that US Steel would remain in America with its headquarters to stay in Pittsburgh, adding that the arrangement with Nippon would create at least 70,000 jobs and add $14 billion to the US economy.

Trump in Pennsylvania said that as part of its commitment, Nippon would invest $2.2 billion to boost steel production in the Mon Valley Works-Irvin plant where he was speaking.

Another $7 billion would go towards modernizing steel mills, expanding ore mining and building facilities in places including Indiana and Minnesota.